



Fintech Peer-to-Peer Lending in Digital Financial Applications from the Perspective of Maqashid Shariah

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Abstract

Introduction: Currently, humanity is in the era of Society 5.0, characterized by the concept of humanizing humans with technology. This era enables humans to derive benefits from technological advancements. The emergence of fintech represents a breakthrough and innovation in the field of financial services, providing both financial solutions and intermediation. This research aims to determine the implementation of maqashid shariah in fintech peer-to-peer (P2P) lending, assess the impact of implementing maqashid shariah in fintech P2P lending, and examine the relevance of fintech P2P lending to the development of shariah banking. **Research Method:** This study is a type of library research employing a qualitative approach. Data collection techniques include interviews and documentation. The research findings indicate that PT Ammana Fintek Syariah's fintech P2P lending aligns with the principles of maqashid shariah. **Results:** It has been demonstrated that Ammana Shariah fintech has fulfilled the five maqashids of shariah: protecting of religion, protecting of life, protecting of lineage, protecting of intellect, and protecting of property. **Conclusion:** The implementation of maqashid shariah in fintech P2P lending at Ammana has two

main impacts: first, the impact on business actors, and second, the impact on fund owners. The presence of fintech encourages shariah banking to innovate in technology, thereby enhancing financial services and evaluating business models.

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INTRODUCTION

Previously, the public was surprised by the progress of Industry 4.0, and the Indonesian people were again surprised by the Society 5.0 era. This era has the concept of humanizing humans with technology. In this way, humanity will coexist with technology and gain benefits and benefits from it. (Rohman dkk., 2021). The world and businesses are undergoing a transition towards digitalization by instrumenting breakthroughs in technological advancements. Fintech, as a breakthrough and innovation in the field of financial services, uses digital transactions that do not require the use of physical money (*cashless*). In simple terms, fintech is a technological means to provide solutions in the financial sector and financial intermediation. (Rohman, 2023).

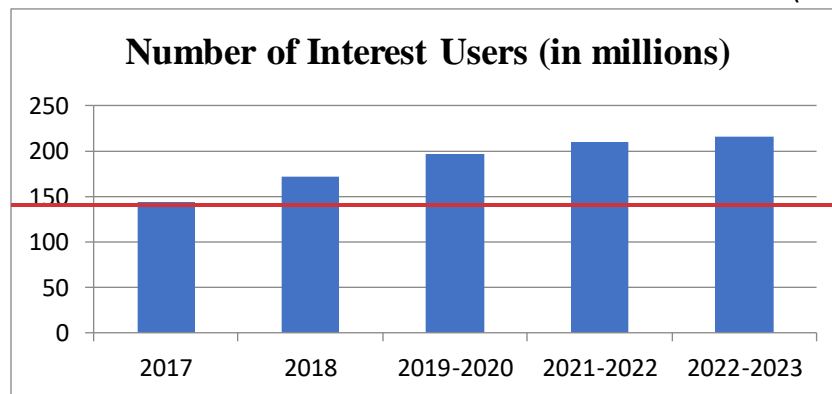


Figure 1. Number of Internet Users in Indonesia

Source: Survey Results APJII, 2023

A survey by the Indonesian Internet Service Providers Association (APJII) states that the number of internet users from year to year is increasing. The increasing number of internet users certainly facilitates the development of financial technology in modern times. It has various practical innovations that make it easier for people to transact without leaving the house. According to a report by The Royal Islamic Strategic Studies Centre (RISSC), Indonesia is the country with the largest Muslim population in the world. In 2023, the total Muslim population in Indonesia will reach 240.62 million people, covering 86.7% of the total national population of 277.53 million people. (Annur, 2023). This situation will significantly impact the development of shariah fintech in Indonesia. Shariah fintech is a financial service or product that uses technology based on the shariah system. (Rusydia, 2019)

The rapid development of fintech is evident from the development of fintech in various sectors driven by the existence of platform-platform organizers or start-up start-ups. The types of Islamic financial technology services in Indonesia that are developing today are peer-to-peer (P2P) lending, payment services, and crowdfunding. The presence of fintech P2P lending makes transactions more effective and efficient. However, the application of fintech business has potential risks that can bring losses to each party in this business. The emergence of online crimes, such as wiretapping, break-ins, and cybercrime, has resulted in people being reluctant to transact online in the future.

A Shariah fintech company currently developing is PT Ammana Fintek Syariah, which conducts funding activities for MSMEs (Micro, Small, and Medium Enterprises). In this mechanism for implementing Shariah peer-to-peer lending financing, PT Ammana, as the organizer, has a great responsibility and must protect consumer rights, especially for lenders providing loans and borrowers. However, in the implementation implemented by PT Ammana Fintek Syariah, this company disclaimers that the operator is not responsible for the risk of default or loss experienced and is borne by the lender himself. Consumer protection in Indonesia has been considered for a long time contained in the Law of the Republic of Indonesia No. 8 of 1999 concerning Consumer Protection. Consumer protection helps increase the dignity and rights of consumers. The OJK also makes regulations regarding consumer protection, namely in Article 38 POJK Number 1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector.

Along with the development of fintech peer-to-peer lending at PT Ammana Fintek Syariah today, its suitability in fiqh muamalah must be based on shariah principles, namely avoiding *riba* (usury), *gharar* (unclear contract), *maysir* (doubt/speculation), *tadlis* (non-transparency), *dharar* (harm), *zhulm* (injustice), and *haram* (prohibited) (Mujahidin, 2019). Even though these activities use a technological system, Islamic law principles must still be implemented. The existence of legal regulations, or what is called maqashid shariah, is one of the essential concepts or elements in the study of Islamic law. The purpose of maqashid shariah includes *hifz al-aql*, which means protection of intellect; *hifz al-maal*, which means protection of property; *hifz al-din*, which means protection of religion; *hifz al-nafs*, which means protection of life, and *hifz al-nasl* which means protection of lineage (Rohman dkk., 2021). The essence of the maqashid shariah theory is to avoid evil and achieve beneficial goals. The maqashid shariah approach in fintech transactions must be implemented so Muslims can keep up the current development of technology and fintech financial institutions through the maqashid shariah framework.

The critical role of fintech in the Islamic finance sector cannot be underestimated. Shariah finance and economics experts support the role of fintech in accelerating the sector's development but also highlight regulation and compliance challenges. In this context, this research will explore the role of fintech in transforming the Islamic financial sector and its conformity to Shariah principles.

Based on the description above, the author has an interest in conducting more profound research regarding transactions in fintech peer-to-peer lending using the maqashid shariah approach, which must be carried out so that Muslims can follow the flow of technological developments by the maqashid shariah framework. Therefore, the researcher raised the research title "Fintech Peer-to-Peer Lending in Digital Financial Applications from the Perspective of Maqashid Syariah"

RESEARCH METHOD

This research employs a library research with a qualitative approach. Secondary data from diverse literature sources such as books, articles, journals, and scientific papers related to the research theme are utilized. (Sugiyono, 2018). Data collection involves interviews and documentation, followed by analysis through several stages: data reduction, data presentation, and conclusion drawing or verification. data validity is ensured through triangulation of sources and methods obtained from the Ammana website, email correspondences, and mobile phone interviews.

RESULT AND DISCUSSION

Implementation of Maqashid Syariah on Fintech Peer-to-Peer Lending

Maqashid shariah is a goal set by shariah that aims to create benefits. In maqashid shariah, according to Imam Ash-Syatibi, there are 5 goals: protecting religion, soul, intellect, lineage, and property.

Protection of Religion (*Hifz al-Din*)

Protection of religion is closely related to one's level of faith, such as paying attention to how to transact by shariah and abandoning transactions prohibited by Allah SWT in the Quran. The current development of the financial world utilizes technology, and Muslims will use or utilize technology for financial transactions. (Nafiah & Faih, 2019). Therefore, even though using technology, the conformity of transactions with shariah requirements must still be maintained.

Peer-to-peer lending in fintech Ammana has used a mechanism that has been regulated by DSN MUI, namely Fatwa DSN MUI No: 177 / DSN-MUI / II / 2018 concerning Information Technology-based Financing Services based on Shariah Principles so that when the products used are by shariah principles and can maintain user religion, the contracts applied by the provisions will maintain the religion of shariah fintech users. Such as the recipient of financing must utilize business capital and manage the business as well as possible. Business management must avoid elements of usury, *maysir*, and *gharar*.

Financing recipients must utilize business capital and manage the business as well as possible. Business management at Ammana has implemented the principle of avoiding the element of usury. This can be seen on the Ammana website, where in the *mudharabah* contract and the *musyarakah* contract, the profit-sharing ratio is listed in each financing product.

Protection of Life (*Hifz al-Nafs*)

Protecting the life is preserving the right to live honorably and preserving the soul to avoid acts of persecution, both in the form of murder and acts of injury. (Zahrah, 2000). The side of maqashid, in this case, is the realization of contracts applied in fintech. Psychologically and sociologically, contracts between parties lead humans to respect each other and maintain the mandate given. On the Ammana website, it has been explained that the funding or financing available at Ammana are *musharakah* contracts and *mudharabah* contracts. Which type of funding has used a mechanism regulated by DSN MUI, namely DSN MUI Fatwa No: 177/DSN-MUI/II/2018, so that when the product used is by shariah principles and can maintain the user's religion, the contracts that are implemented by the provisions will maintain the user's soul to be calm because it has followed shariah principles.

Protection of Intellect (*Hifz al-Aql*)

Protection intellect is the most precious gift of Allah SWT. They are keeping reason closely related to knowledge. The many types of contemporary transactions require Muslims to first study based on Shariah, law, risk management, and others. (Rarawahuni & Rismaya, 2022). The organizers realize the wisdom of peer-to-peer lending users in Ammana fintech, who are obliged to explain their product systems transparently and detailedly. Thus, the giver and recipient of funds are encouraged to think together in transactions without causing injustice to one party or any party being wronged. Ammana has realized the protection of assets, because all information about products, profit sharing, available financing units, and so on has been uploaded through the Ammana website.

Protection of Lineage (*Hifz al-Nasl*)

Protection of lineage is to preserve the kind of human beings and foster the next generation's mental attitude to avoid wars between humans (Zahrah, 2000). In this case, Allah decreed to marry and have children. This can be realized by maintaining religion, life, lineage, and property. The compatibility of transactions with shariah will determine the halal property obtained where the property is used to provide for the family, including children. The guarantee of halal products will positively impact their families and descendants who are supported by the results of these efforts. This can be achieved if the funds used with the contract offered by *Ammana's* peer-to-peer lending fintech earn profits so that users can provide and meet material needs in their lives.

Care for offspring in Ammana can be seen on the Ammana website. On the website, there are testimonials from customers who use Ammana. In one of the testimonials, customers said that with Ammana, when it comes to sudden financial needs or unexpected costs, Ammana comes with fast, precise financing and can be disbursed simultaneously.

Based on the analysis, Ammana Fintek Syariah has realized *hifz al-nasl* (protection of lineage) in its financing activities. Some need unexpected costs for daily needs, such as medical costs, paying bills owed to other parties, or needing capital for a business. Of course, this can

provide support and fulfill material needs in life and can protect the descendants of Ammana fintech players.

Protection of Property (*Hifz al-Maal*)

Al-Shatibi elaborated on how to safeguard or maintain property by the provisions of maqashid syariah. Indicators of syariah maqashid in protection of property according to Imam Shatibi (Azizah dkk., 2020), including the following.

First, it is forbidden to steal and sanction it. In implementing syariah fintech institutions, this is manifested in every product and program issued by PT Ammana Fintek Syariah. In its collection of funds. Ammana has a joint funding program or halal crowdfunding. Syariah-compliant or halal crowdfunding invests in projects or products that are socially responsible, share investment risk, and are characterized by the absence of interest rates.

Second, it is forbidden to cheat and betray in doing business. PT Ammana Fintek Syariah strives to maintain syariah principles in implementing P2P lending. In addition, Ammana uploads and publishes its products through its website. From the page, funders can choose what products they want to fund through available financing or want to donate through infak or waqf. Everything has been uploaded via the web, including details of prices on certain types of products, product specifications, profit sharing, available financing units, and information about the production company or so-called product catalog displayed digitally on the platform or website of the financing service provider. That way, cheating and treason are impossible because everything is listed on the Ammana website.

Third, The prohibition of riba. Ammana implements peer to peer lending with a profit-sharing system. Ammana implements two types of contracts in carrying out financing activities, namely *musharakah* contracts and *mudharabah* contracts. The *musyarakah* agreement is carried out with fund owners, business partners, or Syariah Microfinance Institutions, which provide capital contributions to finance MSMEs built by LKMS. If there is a profit, it will be shared proportionally according to the funds deposited or according to the ratio agreed by the partners. If there is a loss, it will be shared proportionally according to the funds deposited. The minimum funding for *musyarakah* is IDR 500,000, and the maximum is IDR. 2 billion per unit.

In a *mudharabah* agreement, potential funders provide a 100% capital contribution to MSMEs approved by the Syariah Microfinance Institution. The partner's agreed-upon ratio determines how the contract's profits are shared. While losses are borne by the owner of the funds (*Shahibul Mal*), the *mudharib*, as capital manager, does not bear the risk of loss as long as it is not due to negligence. Capital owners can contribute a minimum of IDR. 500,000 and a maximum of Rp. 2 billion per unit

Fourth, it is forbidden to eat other people's property in an immoral way. PT Ammana does not take *ujrah* (fee) from funders, but only shares profits. In the implementation of peer-to-peer lending, Ammana uses a profit-sharing system. So, it is clear that in Ammana, there is no

element of eating other people's property incorrectly (not open and detrimental to one party). However, Ammana gets a profit-sharing advantage as a peer-to-peer lending organizer.

Fifth, obligation to replace the goods that have been damaged. *Ta'widh* (compensation) can be in the form of objects or cash to cover losses suffered by one of the parties. In other words, the general provisions applicable to indemnity may be damages for delayed payment by a capable person based on losses incurred in real terms as a logical consequence of such delay in payment. In implementing peer-to-peer lending in Ammana, if the recipient of funds or borrowers delays payments, *ta'zir*, and *ta'widh* fines will be imposed. *Ta'zir* is a penalty imposed on a borrower or recipient of funds who can pay debts but deliberately delays payment within a certain period. While *ta'widh* is compensation imposed on borrowers or recipients of funds who intentionally or negligently fulfill their obligations to the detriment of the lending institution, the existence of *ta'zir* sanctions has been agreed upon in the contract, and *ta'zir* funds will be allocated for the benefit of the community.

Impact of Shariah Maqashid Implementation on Fintech Peer-to-Peer Lending

The existence of fintech peer-to-peer lending in Indonesia has a significant impact, especially on the financial system. The following are the impacts generated by fintech peer-to-peer lending.

First, the Impact of the Implementation of Maqashid Shariah on Fintech P2P Lending for Business Actors. Fintech has been proven to reach various demographics, from the upper class and millennials without access to credit to micro-entrepreneurs or MSMEs, which are starting to be done by young entrepreneurs. The problem for the lower middle class is that when dealing with banking financial services, absolute requirements must be met to obtain loans, savings, or other financial products. People can easily borrow money with an ID card and cell phone. Fintech companies make it easier for small businesses to obtain capital for business development, which is different from bank financing, which usually supports large and medium financing (Purwanto dkk., 2022).

In addition, fintech provides access to a broader community in the distribution of income and wealth. This can be seen in Ammana's fintech; in income distribution, Ammana uses peer-to-peer lending through a joint funding program or halal crowdfunding. By its principles, Ammana financing targets MSMEs needing business capital. Due to strict regulations and low loan amounts, many banks still have not entered the MSME sector. (Kamaruddin, 2021).

MSMEs experience rapid development every year, opening up more job opportunities. This rapid development will reduce the unemployment rate. Empowering MSMEs requires quite a large amount of capital from business people. This is where the role of shariah fintech is seen, namely providing loans to MSMEs based on religiously regulated shariah law. The implementation of maqashid shariah in fintech P2P lending Ammana can provide guarantees to business actors to obtain financing by shariah principles, namely avoiding usury, avoiding fraudulent acts, not consuming other people's property in a false way, and there are fines and

compensation if you deliberately delay payment. The presence of fintech certainly makes the public's financial transaction process more accessible. People will also get financial services such as payments, money credits, transfers, or alternative investment instruments that are easier and more practical. With fintech, people can also access financial services via mobile phones or computers, which means it can be done whenever and wherever they are, as long as they are connected to the internet.

Second, the Impact of the Implementation of Maqashid Shariah on *Fintech P2P Lending for Fund Owners*. The ease of transactions in *fintech*, in addition to being a solution to funding needs, can also play a role in financial management by helping to develop public funds. With fintech peer-to-peer lending in Ammana, a person with excess assets can finance someone who needs funds for business capital. That way, fund owners can get profit sharing that the Ammana platform has set according to mutual agreement. The profit-sharing ratio received has a significant value, so it is more favorable to the fund owner.

In *Ammana's P2P lending fintech*, investors or fund owners can choose the borrower to be funded according to their preferences. It is easy for fund owners to diversify their investments, thereby increasing the opportunity to get greater profits. The capital needed to become a financier is not large, while Ammana only requires a minimum capital of Rp. 500,000. Thus, it makes it easier for fund owners who do not know where to allocate it to develop their funds through the Ammana platform with various programs and products provided by Ammana.

The realization of these products and programs must also impact the community. One of Ammana's programs is productive rice field endowments. This program concentrates on waqf programs with the aim of a social and productive approach to produce benefits that continue to flow and to build food independence of pesantren. So that the proceeds from productive waqf assets will also be returned for the development of waqf assets, that is, everything (property) owned by a person or organization morally must be believed that there is a part of it that is entitled to others that are for the welfare of others, such as orphans, people with low incomes, or other social institutions.

Third, the Relevance of *Fintech Peer-to-Peer Lending to the Development of Islamic Banking*. Fintech and banking are types of financial service providers, both of which are liaisons between fund owners and borrowers and meet the needs of economic and business actors. Meeting these needs provides capital loans and money storage, as well as payment transactions for goods and services. The existence of banking first colored the financial system in Indonesia. The financial performance of banks is not affected by the emergence of fintech start-ups. Banking is responding to the unavoidable phenomenon of fintech.

Banks also make technological innovations in providing financial services and evaluate their business models so that the presence of fintech start-ups does not erode them. One of the banking strategies to overcome the fintech phenomenon is developing a fintech system, which is expected to improve financial performance. This phenomenon is not directly related to

banking; it is proven that fintech does not interfere with financial performance but instead encourages the development of the banking fintech system itself. This is in line with OJK's statement that the condition of banking performance in Indonesia is still maintained. Ammana, in organizing P2P lending activities, also collaborates with Shariah Microfinance Institutions (BMT/KSPPS/BPRS). Ammana has collaborated with 59 partners of Shariah institutions, including Koperasi Sejahtera Bangsaku, PT. BPRS Bina Rahmah IPB, and BMT Muamalah Mandiri Cooperative.

The *fintech* phenomenon does not hurt the financial performance of banks; on the contrary, this phenomenon can encourage banks to adopt technological innovations. Management needs to invest in information technology to improve financial performance. Banks must also see opportunities for the presence of *fintech* to develop a banking *fintech* system. Banks will use *fintech* to reach customers whom financial institutions have not touched.

CONCLUSION

Based on the author's research on fintech peer-to-peer lending in digital financial applications from the perspective of Shariah Maqashid at PT Ammana Fintek Syariah, it can be concluded that PT Ammana Fintek Syariah's P2P lending fintech has been by the shariah maqashid. It is proven that Ammana's Shariah fintech has fulfilled the five maqashid of Shariah, namely safeguarding religion, safeguarding the soul, safeguarding descendants, safeguarding intellect, and safeguarding property. This can be seen in the implementation of Ammana Fintech peer-to-peer lending, where every product or process carried out by Ammana Fintech Syariah always strives to maintain and allocate funds properly and halal and can take profits or a reasonable profit-sharing ratio.

The impact of the implementation of shariah maqashid on fintech P2P lending in Ammana can be described into two influences, namely the first impact of fintech P2P lending for business actors. The existence of fintech makes it easier for MSME business actors to get business capital because of the easy loan application requirements. In addition, people can access financial services via mobile phones anywhere and anytime if connected to the internet. Second, the impact of fintech P2P lending for fund owners: people with excess assets can provide funds to people needing business capital. That way, fintech helps develop public funds and get profit-sharing benefits for the cooperation carried out. In addition, the owner of the financing or fund can choose borrowers who are funded according to their preferences, thus increasing the opportunity to get greater profits. Through Ammana fintech, people can save rewards through infak and waqf programs.

The relevance of fintech P2P lending to the development of banking, namely, both are financial service providers and liaisons between fund owners and fund borrowers. With fintech, Islamic banking also innovates technology in providing financial services and evaluating its

business model. Banks can work together with fibtech as a partner to reach consumers whom financial institutions have not touched.

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